



Are you ready to make the jump to Xero?

A Conversion Checklist

Converting from MYOB desktop versions to Xero can be exciting and bring much more transparency and collaboration into your business. But it can have some significant pitfalls that you ought to be aware of. Based on our years of experience in converting MYOB desktop to Xero, here is the checklist we use to make sure our clients are Xero ready.

It's worth noting that Xero often offers a "Free" conversion service via Jet Convert. Whilst this can and does take some of the time out of conversion, if you aren't ready we guarantee that you will end up in a huge mess that will take days, weeks or even in some of our clients' cases, months to sort out.

1) Select your go live date



Ideally, you should go live on a date that is the start of a Business Activity Statement (BAS) period. This would usually be 1st July, 1st October, 1st January or 1st April.

However, you need to take into consideration the complexities of changing over close to the end of the year. Complexity usually equals more cost so the simpler the better.

We recommend that if you want to go live in the period between July to December, that you backdate your go live until 1st July. If you intend to go live

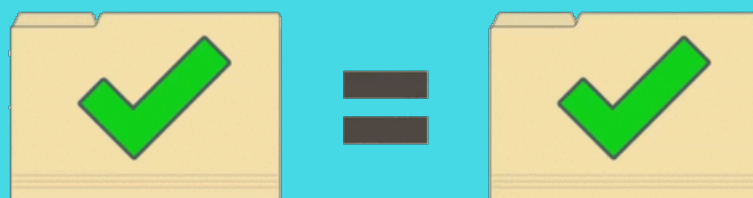
in the period January to June, then we recommend you backdate the go live to either 1st January or 1st April, whichever is closer.

In most cases, this will give you some extra reconciliations to do, and you will need to manually load your bank account transactions, but it is all good training and you will have detailed data in your system for the whole of your financial year which will save time. If there are a large number of transactions to reconcile, you can always outsource this to a low-cost provider at a rate of around \$20 per hour. The \$200 - \$300 you will spend will be worth it in terms of data collected in your new system and you will almost certainly save more than this off your annual accounting bill!

2) Reconcile your bank account

It sounds obvious, but you need to ensure that your bank account is fully reconciled at least up until the selected conversion date. And I don't mean reconciled but with some unknown transactions, every effort should be made to present a clean set of accounts prior to converting the file. Everything in Xero hangs off the bank statement so an unreconciled bank account will cause you trouble and cost you plenty.

RECONCILIATION



3) Make sure you have access to your bank transactions in CSV format

MYOB desktop supported the import of CSV files from your bank, but I never met a client or bookkeeper who used that function. If you did, then all is well, but if not, you need to check whether your bank can support you downloading your transactions in CSV format.

Your bank feeds in Xero are not historical, so they will only start from the date the bank is ready and bank feeds start. For the time between your conversion date and when the bank feeds to start, you will need to import the transactions in a CSV format. You need to check to see if your bank supports this. Sometimes they only keep transactions for 100 days so you may need a plan B or to request more transactions directly from the bank. Plan B might be to get an outsourced option to input the bank statements into a CSV format manually. Again not that expensive at \$20 per hour.

4) Accounts Receivable



One of the main issues we have seen is with Accounts receivable or your debtors not being reconciled. This is the time to write off all those bad or doubtful debts rather than carry them over to Xero. In the conversion process, you need to re-enter all of your invoices that are still outstanding manually. If your customer has already paid or credits have not been properly applied,

you WILL end up with a nightmare task. Better to clean this all up in MYOB before you convert so that only genuine, collectible debts are left in the system.

You also need to consider that MYOB will let your general ledger balance be out of sync with your Receivables ledger balance. In fact, we see this with nearly every MYOB file. Xero won't let this happen so you need to make sure that your general ledger agrees to the total of invoices outstanding or your will be in trouble.

5) Accounts Payable

Similar to Accounts Receivable, is your Accounts Payable balances. If you have long outstanding, disputed or forgotten balances then it is better to write them back now. If you have mistakenly booked payments using spend money, then these are currently doubled up in your books and need to be written back to your accounts.



As per above, MYOB can allow the general ledger and the payables ledger to become out of balance. Xero won't allow this and you will need to enter all of the payable invoices into Xero to match the general ledger. So make sure the ledgers agree before you convert.

6) Inventory

I just had a shiver down my spine. Inventory on MYOB will do that to experienced users. It almost always is a nightmare but one thing I will suggest is that you do a full stocktake on the conversion date, reconcile in full to the general ledger and take pains to exclude all of the old inventory items from MYOB. Xero isn't terrific at doing complex inventory either. I strongly suggest using a Xero add-on partner like Tradegecko or Unleashed to manage complex inventory (and when isn't it complex!). If you are going down the add-on partner route, then still make sure your inventory has been physically counted and reconciled to your general ledger and keep all of your working out. It will come in handy.

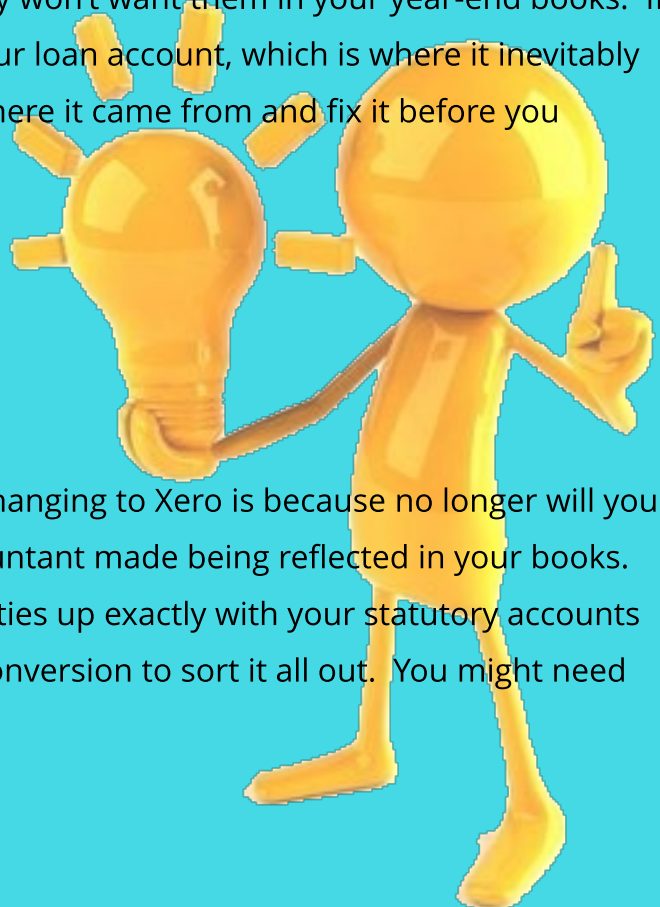
7) Chart of Accounts

Xero conversions usually just follow and use the chart of accounts used by MYOB. This is handy as you won't need to worry about new account numbers in Xero and your new system will be more readily accepted by your team. But it is worth considering if you want to change your chart in MYOB to eliminate or consolidate all those old accounts that aren't being used or have outlived their usefulness. Don't transfer the mess.

Having said that, we usually set up management reports in Xero that aren't reliant on the account numbers that are used, so I wouldn't be too concerned about this.

8) Historical Balances

I know you don't know what these are. Nobody much does. They are the leftover transactions when things didn't balance. Get rid of them in MYOB or they will be waiting for you in Xero and your accountant certainly won't want them in your year-end books. If you don't want that amount appearing in your loan account, which is where it inevitably will end up, then take the time to find out where it came from and fix it before you convert to Xero.



9) Accountant's Journals

One of the big reasons you are going to be changing to Xero is because no longer will you need to worry about journals that your accountant made being reflected in your books. BUT you need to make sure that your MYOB ties up exactly with your statutory accounts otherwise, it will be very difficult post-Xero conversion to sort it all out. You might need your accountant's help with this bit.

10) Team Training / Bookkeeping

Xero will not make you a bookkeeper. Xero will not make you a bookkeeper. I mentioned that twice because it is worth repeating. We have many clients who thought they could save on bookkeeping by moving to Xero. But in reality, you still need the same skills and experience no matter what the system.

Most bookkeepers know Xero, make sure you use a Xero Certified bookkeeper. If your in-house team keep the books or part of them, make sure they are adequately trained and on the new system BEFORE you go live. Involve them in the decision-making.

Change can be scary to some people and cloud accounting more so than others. As a society, we are getting used to apps, but remember that MYOB desktop didn't work the way of a cloud accounting service so lot's of issues and phobias will crop up. We highly recommend conducting a group session to explore the issues and address them to get their buy in. The success of the implementation, how quickly you get a return on your investment may well be dependent on it.



Conclusion:

The cost of accounting software is almost nothing compared to what it used to be. But don't be fooled into thinking that low cost equals ease of implementation. You will be better off in getting either your experienced accountant or a conversion specialist engaged to assist you to make the transition as smooth as possible. Some of the things I have mentioned may take many hours to rectify prior to conversion. This might translate to thousands of dollars of expense. Thankfully there are lower cost solutions available.

If you would like more information or assistance with your Xero conversion, please don't hesitate to contact us at www.scottpartners.com.au or email info@scottpartners.com.au or phone 1300 365 455 today!



Scott Trevethan

Managing Director

Scott Partners - Chartered Accountants